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IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1939

No. 671

SONTAG CHAIN STORES CO., LTD.,
a corporation,

Petitioner,

vs.

NATIONAL NUT COMPANY OF CALIFORNIA,
a corporation,

Respondent.

PETITIONER'S REPLY TO RESPONDENT'S REPLY BRIEF ON PETITION FOR WRIT OF CERTIORARI

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To the Honorable, the Chief Justice and Associate Justices of the Supreme Court of the United States:

In answer to respondent's reply brief petitioner respectfully submits:

I.

In substance respondent's contention that this court should refuse to take jurisdiction is based upon the bold assertion that this court's decisions preclude the existence of intervening rights where a reissue patent is

granted with broadened claims on application filed within two years of the original issue (see reply brief, page 3, numbered paragraph 1, as modified by numbered paragraph 2, page 3). The cases cited in support of this proposition do not so hold.[1] Only one of them involved a reissue applied for within two years, and in that case the court held the reissue valid because it had been applied for within five months and "before any rights in favor of third parties could reasonably be expected to have attached, *or had in fact attached* * * *" (*Topliff* v. *Topliff*, 145 U. S. 156, 165; italics supplied). Not only the *Topliff case* but most of the others emphasize that the patentee must be diligent in correcting defects if he would have a broadened reissue. (See *Miller* v. *Bridgeport Brass Co.*, 104 U. S. 350, 352.).

Respondent's assertion that the matter of intervening rights in relation to a reissue made upon application filed within two years has been determined by this court is contrary to what was said by this court in *Keller* v. *Adams-Campbell Co.*, 264 U. S. 314, 318, to what the Circuit Court of Appeals said in the present case, *National Nut Company of California* v. *Sontag Chain Stores Co., Ltd.*, 104 Fed (2d) 318, 328 (R. 305), and to what other courts have said. (*General Refractories Co.* v. *Ashland Firebrick Co.*, 15 Fed. (2d) 215, 218.)

II.

Respondent also urges that there is no conflict with decisions of other circuit courts of appeals because "the

[1] It is obvious that respondent places great reliance on the case of *Abercrombie & Fitch Co.* v. *Baldwin*, 245 U. S. 198, cited no less than five times in the reply. The case is not in point. The reissue application there involved was filed seven years after the original patent issued. Not only that, but the claims of the reissue did not broaden the claims of the original patent. If the decision did not turn upon the point that the reissue claims were not broadened claims, the case would have to be deemed to overrule the earlier case of *Miller* v. *Bridgeport Brass Co.*, 104 U. S. 350. Not even respondent contends this to be so, but relies upon both cases.

facts in this case have never been passed upon by any other circuit court of appeals." The rules of this court establish as a basis of the jurisdiction now sought to be invoked a conflict among the decisions of the several circuit courts of appeals. Neither those rules nor any decision establish that there can be a conflict only where the facts in any given case have been passed upon by more than one circuit court of appeals. A principle formulated in a case involving a roan horse is equally applicable in a case involving a black horse. It is perfectly obvious that the circuit courts of appeals for the second, sixth and eighth circuits have established principles different from those announced in this latest decision of the ninth circuit (*H. W. Roos Co.* v. *McMillan,* 64 Fed. (2d) 568; *Autopiano Co.* v. *American Player Action Co.,* 222 Fed. 276; *Wichita Visible Gasoline Pump Co.* v. *Clear Vision Pump Co.,* 19 Fed. (2d) 435), and that the application of these principles to the facts of the present case would have given a different result.

III.

Respondent asserts that the court below "has properly held that the defense of 'laches' has not been sustained." (Reply Brief, p. 17.) The trial court found that respondent had been guilty of laches (R. 94), but the Circuit Court of Appeals did not decide this question. Indeed, all that respondent can find in the opinion to support the foregoing assertion is a statement that petitioner had the burden of proof to show laches. (R. 289) Here, as elsewhere, respondent's contention is transparently fallacious.

IV.

Respondent repeatedly refers to the finding of the court below that there were "no facts creating an estoppel,"

because "there was admittedly no knowledge of or reliance on the scope of plaintiff's patent." (R. 310.) Under the second point of the argument in our petition we show that though petitioner had no knowledge of respondent's patent when it *began* to use the accused machine, it subsequently acquired such knowledge, and from that time proceeded to use the accused machine and build up its business in reliance upon the narrow claims of the original patent. Petitioner was entitled to do so because under the law as established by the Circuit Court of Appeals of the Ninth Circuit (until the decision in this case), petitioner had acquired intervening rights. (*Keller* v. *Adams-Campbell Co.*, 287 Fed. 838, 841.) In the *Keller case,* as here, the alleged infringers were *originally* without knowledge of the patent. The finding of the court below is, therefore, patently erroneous, and its conclusion of law that there is no estoppel in this case cannot be accepted.

Respondent in reply to this point disputes only the conclusion, not the facts, and says only that respondent's right to a reissue is absolute for a period of two years after grant of the original patent. If that be the law, it has not been so announced by this court, and several Circuit Courts of Appeals have held to the contrary. (*Roos* v. *McMillan,* 64 Fed. (2d) 568, 570; *Autopiano Co.* v. *American Player Action Co.,* 222 F 1. 276; *Wichita Visible Gasoline Pump Co.* v. *Clear Vision Pump Co.,* 19 Fed. (2d) 435.)

V.

Respondent criticizes petitioner's statement with respect to the celerity with which application for reissue was filed after petitioner had furnished information in response to interrogatories. (Reply Brief, p. 5, par. (6).) A sufficient answer to respondent's suggestion is found

in the findings of the trial court which were not questioned in the court below:

> "(11) That immediately thereafter and on January 13, 1936, plaintiff caused an application for a reissue of said original patent No. 1,958,409 to be executed by plaintiff's assignor (just two days after the information inquired about in the interrogatories was furnished); (see certified copy of the file wrapper of Reissue patent No. 20,024).
>
> "(12) That immediately thereafter and on January 15, 1936, said reissue application was filed with altered specifications and expanded claims, most of which new claims were framed on the interrogatories and answers thereto, above referred to." (R. 92)

CONCLUSION.

It is respectfully submitted:

(1) That this case presents an important question of Federal law, which has not yet been but should be determined by this court.

(2) That there is a conflict in the decisions of the several Circuit Courts of Appeals with respect to the issue here involved.

(3) The question is particularly important at this time. The granting of the monopoly of a patent is still justified by sound public policy, but there have been great changes in conditions in this country since the formulation of that policy. Many devices employed by patent owners after grant of the original patent have been held contrary to the public interest as that interest has evolved in various ways since the eighteenth century. Here the use of the reissue statute to protect an inequitable monopoly in the hands of a careless patentee

at the expense of a third person seems another example of unjustified and unsound diversion of the policy of the patent laws.

WHEREFORE, petitioner respectfully prays that the writ be granted.

Respectfully submitted,

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